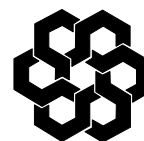




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*This document is provided as a convenience to observers at the joint IASB-FASB meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).
These notes are based on the staff papers prepared for the IASB and FASB. Paragraph numbers correspond to paragraph numbers used in the joint IASB-FASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

INFORMATION FOR OBSERVERS

IASB/FASB Meeting: 24 October 2006, Norwalk
Project: State of the MOU (Agenda Paper 4)

STATE OF THE MOU

INTRODUCTION

1. On September 12, groups of Board members and directors from the IASB and FASB met to discuss issues in working on convergence. Both groups agreed that it was important to demonstrate tangible progress toward each item on the MOU, even though individual line items will not be met by January 1, 2008. They also agreed that the two Boards should discuss the state of work on the MOU and plans for each project at their joint Board meeting in October. This paper summarises the September 12 discussions.

MAJOR CONVERGENCE PROJECTS

2. **Business Combinations.** (MOU) To have issued converged standards (projected for 2007), the contents and effective dates of which to be determined after taking full account of comments received in response to the Exposure Drafts.

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3. This project is on schedule for issuance of a final standard in late 2007. However, several difficult issues remain and any one could stall progress. In addition, a change in course on major issues in the project could lead to reexposure.
4. **Consolidations.** (MOU) To implement work aimed at the completed development of converged standards as a matter of high priority.
5. The IASB's project plan projects a key decision-making meeting on this project in early 2007. If the Board concludes that its control approach can be applied to special-purpose entities, then the plan projects a discussion document in mid-2007. The FASB would likely issue an Invitation to Comment as a "wrap-around" to that discussion document, seeking its constituent views on the feasibility of the IASB proposal as a replacement to existing FASB guidance in this area.
6. **Fair Value Measurement Guidance.** (MOU) To have issued converged guidance aimed at providing consistency in the application of existing fair value requirements.
7. The IASB expects to issue a discussion document based on the FASB's final standard in late 2006. The project plan then projects an Exposure Draft in 2008 and a final standard in 2009.
8. **Financial Statement Presentation.** (MOU) To have issued one or more due process documents on the full range of topics in this project.
9. The IASB expects to issue a final standard on its phase A in mid-2007. The project plan projects a joint discussion document on phase B in mid-2007.
10. **Liabilities and Equity Distinctions.** (MOU) To have issued one or more due process documents relating to a proposed standard.
11. The FASB plans to issue a due process document in mid-2007. That discussion document would describe the three alternative approaches to making the liability-equity distinction and, hopefully, the FASB preliminary view on the alternative that provides the most decision-useful information. In the absence of a majority in favour of one view, the due process document would likely take the form of an "invitation to comment" on the alternatives. The IASB plans to be in a position to

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issue the FASB's document as a discussion document at the same time the FASB is ready to publish or shortly thereafter.

12. **Revenue Recognition.** (MOU) To have issued one or more due process documents on the full range of topics in this project.
13. This project has proven difficult for both Boards. In October, the project staff plans to present a proposal for a discussion document that would articulate two competing revenue-recognition models – asset/liability and customer consideration. The staff plans to enlist teams of Board members from both Boards (one team for each model) to assist it in articulating each model. If the Board's accept this proposal and the approach is successful, the staff hopes to issue a discussion document in late 2007. As envisioned by the project team, this document would not necessarily include the preliminary views of either Board but would instead reflect the views of those who favour each model. The project team does not mean to rule out the possibility that the Boards might agree on one approach before the document is issued, but the plan does not rely on the Boards reaching agreement.
14. **Post-Retirement Benefits (including pensions).** (MOU) To have issued one or more due process documents relating to a proposed standard.
15. The Boards are committed to a project that results ultimately in a common standard. However, they have taken different approaches to the first phase of that project. The FASB issued a final standard on its first phase on September 30, 2006. In the fourth quarter of 2006 the staff hopes to complete development of a project plan for the second phase that enables to Boards to leverage their efforts on the common aspects of their separately phased projects. The IASB plans to issue a discussion document on its first phase in late 2006 and to join the FASB work on completion of the IASB's first phase.
16. **Derecognition.** (MOU) To have issued a due process document relating to the results of staff research efforts.
17. The staff plans to present an outline for its research at the October joint meeting.

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18. **Financial Instruments.** (MOU) To have issued one or more due process documents relating to the accounting for financial instruments.
19. The Boards will begin work on a discussion document at their September meetings. The schedule for this project is quite ambitious, and progress will dictate the degree to which a discussion document can include the Boards' preliminary views on individual topics. The staff proposes to produce that document, with or without preliminary views, in late 2007.

SHORT-TERM CONVERGENCE PROJECTS

20. **MOU Target** – Reach a conclusion about whether major differences in the following few focused areas should be eliminated through one or more short-term standard-setting projects and, if so, complete or substantially complete work in those areas.
21. **Borrowing Costs (IASB).** The IASB has issued an Exposure Draft and expects to issue a final standard in the first quarter of 2007.
22. **Government Grants (IASB).** The IASB has deferred work on this project pending progress in its project on liabilities (IAS 37 amendments).
23. **Joint Ventures (IASB).** The IASB expects to issue an Exposure Draft in the second quarter of 2007. Based on that expectation, a final standard should follow in 2008.
24. **Segment Reporting (IASB).** The IASB expects to issue a final standard in the fourth quarter of 2006.
25. **Impairment (Joint).** The FASB staff is working on an agenda decision proposal. Given the difficulty of the issues involved, the FASB staff has concluded that careful framing of the agenda decision is especially important. Pending completion of that agenda proposal and its discussion by the Boards, the directors cannot make any prediction about the course of this topic.
26. **Income Taxes (Joint).** The FASB has assigned a new project manager to replace Donald Thomas and plans to commence deliberation of remaining issues in the 4th quarter. Alicia Posta is also assigned on a part time basis, to leverage her past

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experience with the project. Assuming those deliberations are successful, the directors expect to be able to issue an Exposure Draft in the first quarter of 2007.

27. ***Fair Value Option (FASB)***. The FASB expects to issue a final standard on phase one of its project in the fourth quarter of 2006.
28. ***Investment Properties (FASB)***. The FASB will consider this topic in phase two of its fair-value option project. It has not projected a timetable for work on that phase.
29. ***Research and Development (FASB)***. The FASB does not have staff available to assign to this project.
30. ***Subsequent Events (FASB)***. The FASB has assigned staff and expects to begin deliberation of issues in this project in late 2006 or early 2007.
31. ***Earnings per Share (joint)***. A small group of IASB and FASB Board members met to discuss the reasons for the Boards' differing conclusions. A revised analysis of those issues is under development for discussion by small group members in November. The project team's goal is to lead the Board to convergence in late 2006, enabling each Board to issue due Exposure Drafts or final statements (FASB-only) in 2007.